

MEMORANDUM

LADAS & PARRY

To: Executive Committee
Intellectual Property Section
California State Bar

cc: Tom Ward, Co-Chairman of the Standing Patent Committee

From: R. Dabney Eastham

Date: October 16, 2006

Subject: **Representative Howard Berman (D, CA)**
Speech to Los Angeles Intellectual Property Law Association
Concerning "Newest Intellectual Property Developments in Congress"

On October 10, 2006, Representative Howard L. Berman gave a luncheon address to a meeting of the Los Angeles Intellectual Property Law Association at the California Club in Los Angeles. According to the announcement of the meeting, "Congressman Howard L. Berman will give us an update about the newest developments with the proposed statute changes in Intellectual Property. An eloquent speaker and presenter, Congressman Berman practiced law in Los Angeles from 1967 until 1973, when he was elected to the California State Assembly and served until 1982, when he was elected to Congress."

Representative Berman is the ranking minority member of the House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property.

Following his introduction, Representative Berman pointed out that he was not an expert on patent law, although he would primarily discuss efforts to reform the patent law during his luncheon address. He noted that his professional background was in labor law, and observed that most members of Congress have little interest in or understanding of intellectual property law, and particularly patent law. He personally has to be briefed on such issues when dealing with them, although he is better informed than most members of Congress on these issues. For example, he knows the term "best mode." Representative Berman was accompanied on this occasion by the chief of his district office, Bob Blumenfeld. (His Chief of Staff in his Washington office is Ms. Gene Smith.)

Representative Berman introduced the subject of patent reform by noting that in the late 1990's and especially in 2001, "people" raised issues with him that pertained especially to software and business method ideas that were being patented that "should not have been patented" because they were obvious or already in the public domain. He mentioned as examples the double-click patent and Internet auction business method patents. Representative

Berman said that initially the reformers wanted to create rules just for business methods and software but that this was hard to do and the effort was abandoned.

Representative Berman stated that some of the issues regarding patent law reform had to do with the efforts to bring the Patent and Trademark Office into the 21st century by using more modern technology. He noted that stopping fee diversion would be one improvement that would help the Patent and Trademark Office deal with pendency and inventory issues and possibly improve the quality of examination. Representative Berman noted that efforts to end diversion by legislation had not been successful. On the positive side, he said that Congress had not diverted monies from fees from the United States Patent and Trademark Office to the general fund for the last two years.

A focus of his House Judiciary Subcommittee was making improvements or reforms to the patent law. He observed that a colleague of his from Virginia, Rep. Rick Boucher (D, VA), worked with him on this. The chairman of the subcommittee, Rep. Lamar Smith (R, TX), tried a less extreme bill that "we all supported." This would be the Patent Reform Act of 2005. According to Representative Berman, this reform bill did not even reach a vote in the House because of opposition by the pharmaceutical industry.

Representative Berman noted that he and Mr. Boucher tried again with another bill that addressed the standards for granting injunctions in patent cases. However, the injunction standards reflected an issue that had more recently been dealt with by the United States Supreme Court in the *eBay, Inc. v. Mercexchange, LLC* case. Another aspect of his proposed reform bill was to provide for allowing third parties to submit prior art at the time of publication of the patent application and to also create a more meaningful alternative to litigation by providing for oppositions with limited discovery. Representative Berman noted the controversy concerning the proposal to provide for an administrative opposition to a patent after issuance ("second window"). This would permit a person or company accused of infringement years after the issuance of a patent but with no prior notice of the patent, to challenge the validity of the patent in the United States Patent and Trademark Office in a procedure that would not be as costly as full-scale litigation in the federal courts. Another aspect of Representative Berman's bill that he mentioned was related to apportionment of damages. This would attempt to limit damages to the specific contribution of a patented element to the value of the process, system or machine of which it was a part.

Representative Berman said that he and others on his committee talked to the National Academy of Sciences and the Federal Trade Commission in order to gain information and suggestions concerning patent reform.

Representative Berman said that he believes that patent reform will be very much an issue in the next Congress. Although elections are coming up soon, he, unfortunately, has to go to the District of Columbia in order to take depositions in the House page scandal and would not be able to pay much attention to patent reform in the immediate future.

Representative Berman pointed out that his colleague; Darryl Issa (R, CA) had introduced a bill that he thought would pass concerning a pilot program for patent litigation. In this bill, a certain number of the district courts would be allowed to designate volunteer judges as patent specialists to whom patent infringement matters would be assigned. Representative Berman suggested that the Eastern District of Texas, a currently popular venue for patent infringement cases, might be appropriate for such a patent pilot program.

Representative Berman did not devote his talk exclusively to patents. He mentioned that his subcommittee worked on a bill concerning so-called "orphan works" ("Orphan Works Act of 2006," H.R. 5439). Orphan works are copyrighted works whose current owners are unknown. The bill would provide for a notice provision that would provide for an effort to contact the owners of the works and then would allow use of the orphan works if the author was not located. He said that the progress of this bill, which has reached the full Judiciary Committee, was being delayed because the Copyright Office had been asked to put together a database and had not yet done so. Especially important would be databases of copyrights for music.

Representative Berman went on to mention an effort (H. Res. 916) to impeach Judge Manuel L. Real of the United States District Court for the Central District of California. Representative Berman referred to this as a "political case" and did not seem to believe that it had much substance to it (Judge Real is accused of abusing his powers by intervening in the bankruptcy action of a criminal defendant whose probation he personally supervised, in order to prevent her from being evicted from the house in which she was living).

Representative Berman pointed out that Chairman F. James Sensenbrenner, Jr. (R, WI) of the House Judiciary Committee seems to dislike the United States Court of Appeals for the Ninth Circuit and wants to split the circuit. (*See, e.g.*, H.R. 211, the "Ninth Circuit Judgeship and Reorganization Act of 2005.") Representative Berman said that he has consistently opposed efforts to split the Ninth Circuit and believes that he will continue to be successful.

Representative Berman also mentioned that Chairman Sensenbrenner wanted an inspector general for the federal judiciary. Representative Berman did not approve of this idea because he thought it threatened the independence of the judiciary. He acknowledged that the judiciary does need to do a better job of policing its ranks and disciplining itself. However, he suggested that Justice Stephen Breyer's Commission's proposal for disciplining judges was an adequate response.

Representative Berman noted the existence of various bills that strip the federal courts of jurisdiction as being a fairly predictable response by members of the House to cases with which those members disagree. He said that these bills were usually stopped by the Senate. The Senate, in his view, performs its constitutional function in so stopping these bills.

He observed that another current issue was legislation proposed by a drug company that had misread the Hatch-Waxman Act and filed for an extension too late despite having the services of a "fancy law firm." The drug company is trying to pass legislation to get around the court's ruling.

Representative Berman said that he and his colleagues wanted to hear from practitioners and inventors from our area concerning proposed reforms to the patent law and invited us to provide our comments.

Representative Berman finished his prepared talk at this point and invited questions. One question had to do with whether the Patent and Trademark Office would be able to adequately support post-grant opposition procedures in view of its manning level and culture. Representative Berman said that administrative procedures for review of patent validity are weak and needed to be better and more adversarial.

In response to another question concerning what drove patent reform legislation, Representative Berman said that it was a combination of national organizations such as the American Intellectual Property Law Association, the Business Software Alliance, the Intellectual Property Owners Organization, the pharmaceutical industry and its associations, as well as individual witnesses that testified to his subcommittee. He noted that the pharmaceutical industry was opposed to second-window oppositions or any kind of post-grant opposition procedures. The pharmaceutical industry was especially opposed to any weakening of the standards for granting an injunction in patent infringement cases.

At least one member of the audience, Philip J. Graves of the Squire Sanders firm, stood up to thank Representative Berman for speaking to us and urged the representative to support a pre-issue opposition procedure in the form of quasi-litigation with an administrative law judge. Mr. Graves noted that this would need to be funded. Representative Berman did not seem to know much about this sort of procedure, although it is a feature of European patent law and the patent law of other countries.

A gentlemen who introduced himself as a "professional inventor" then spoke up and said that neither he nor his inventor colleagues had observed any of the patent troll-like behavior complained of recently, in which inventors file applications and delay until an industry has developed in order to obtain patents with claims directed to the products that have finally reached the market. These are sometimes known as submarine patents. Representative Berman's response was to say, "What about Blackberry?" This was a reference to the NTP vs. RIM cases in which a patent holding company obtained over half a billion dollars in settlements from the owner of the popular Blackberry wireless messaging system. Representative Berman pointed out that even though the inventors may not plan to be patent trolls or to prosecute submarine patents, they may license or sell their rights to their applications and inventions to holding companies that will do so. He clearly considered this to be more a problem than a benefit to the inventors by providing them with a market for their inventions and applications.

The author of this memorandum asked the questions that brought the session to a close. The first question was whether Representative Berman intended to remain on the House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property in the next Congress. Representative Berman's answer was that he intended to remain on the committee "if they'll let me." The second question assumed that in the next Congress Representative Berman became the

chairman of this subcommittee (the Democrats having regained control of the House), and asked whether he would make enacting patent reform statutes a priority. Representative Berman said that indeed he would make patent reform a priority. He appeared to be happy about the prospect of the Democratic Party regaining control of the House and thumped the podium in front of him in his excitement.

The last question was how Representative Berman intended to deal with the opposition of the pharmaceutical industry to patent reform bills. Representative Berman observed that he would be less conciliatory to the pharmaceutical industry than his Republican colleagues have been in the past.